



Request for City Council Committee Action

Date February 21, 2002
To Transportation and Public Works Committee
Referral to Ways and Means Committee
Subject: Lease of land (Ritz Lot) from Olaf Limited Partnership

Recommendation: That proper City officials be authorized to execute a lease for the property located at 54 S. 4th St and owned by Olaf Limited Partnership. The lease shall commence January 1, 2002 and end on December 31st 2006. The site will be used by the City for the sale of parking to the public and public events.

Rental payments for the lease shall be a yearly base rent of \$350,000.00 plus an additional amount based on a 50/50 sharing of gross sale amounts over \$720,000.00 to an upper limit of \$1,025,000.00.

To accommodate this lease, City officials approve a permanent increase in the operating budget in the Municipal Parking Fund (7500-685-RITZ-5081) from \$150,000 to \$502,500.00.

Prepared or Submitted by: David Sabie 673-2168

Approved by: David J. Sonnenberg, P.E. City Engineer, Director of Public Works

By:

Greg Finstad

Presenters in Committee: Greg Finstad, P.E., Director of Transportation and Parking Services

Financial Impact (Check those that apply)

- ☐ No financial impact (If checked, go directly to Background/Supporting Information)
- ☐ Action requires an appropriation increase to the Capital Budget
- ☒ Action requires an appropriation increase to the Operating Budget for 2002
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☐ Other financial impact (Explain):
- ☐ Request provided to the Budget Office when provided to the Committee Coordinator

Background/Supporting Information

The City of Minneapolis has leased 54 S. 4th St. (the Ritz Lot) from Olaf Limited Partnership (an assignee of Opus Corporation) since September of 1990. The City has used the Ritz for the sale of public parking although a variety of community events such as the Ribfest have also occurred on the site. The original lease has been amended twice and expired on December 31, 2001. The lot continues to be occupied by the City by virtue of a holdover provision allowing an extended stay and an action of the City Council approving such a two month extension.

Rental payments in the expired lease totaled \$280,782.00 per year. In the final five years an additional \$400,000.00 per year were taken from lot revenues and committed to the University of Saint Thomas development project.

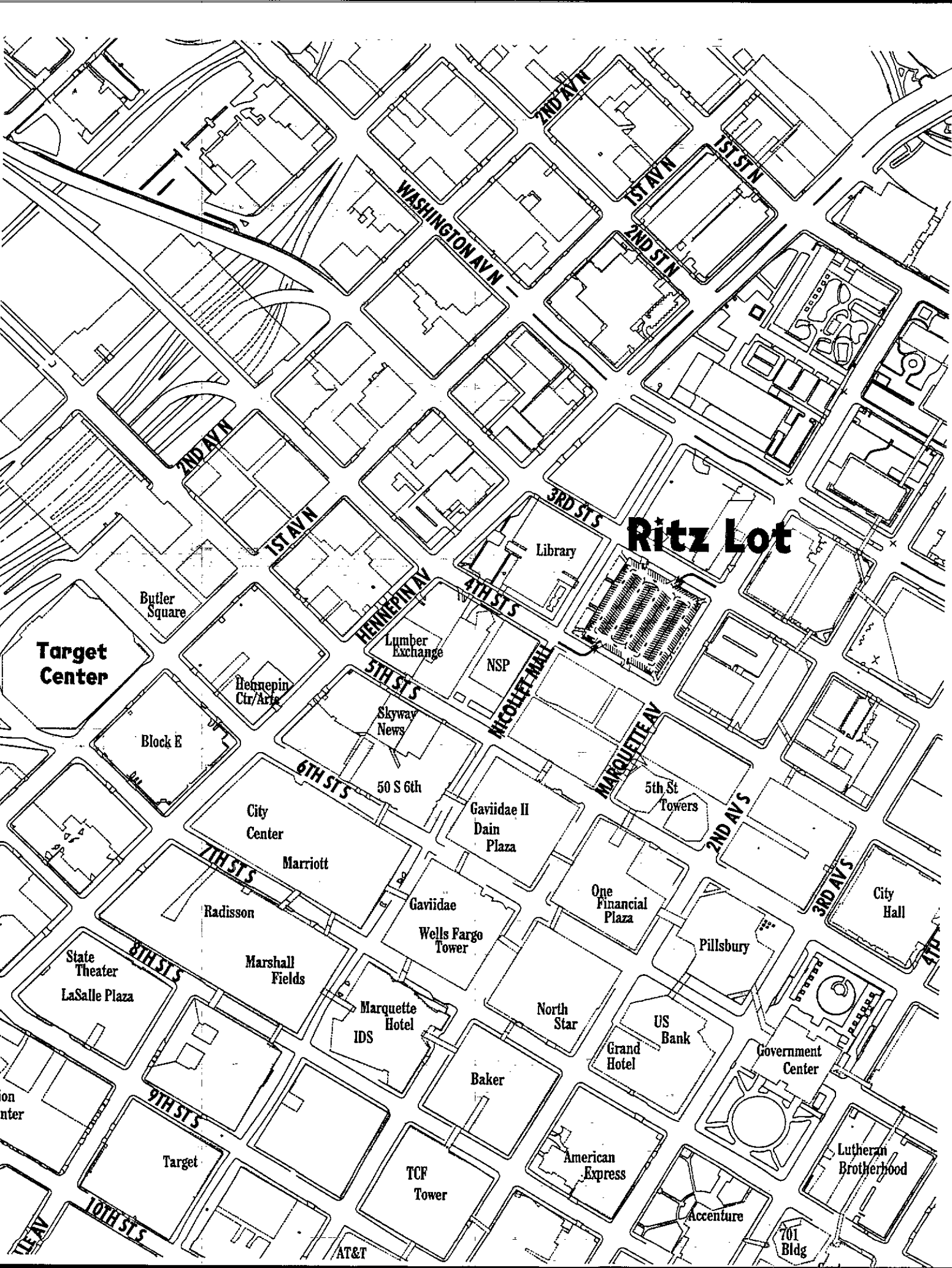
The new lease has a base rent of \$350,000.00 per year and an additional rent payment which will be based on a revenue sharing formula. More specifically, revenues from sales on the Ritz Lot will be shared on a 50/50 basis, but will be limited to only those revenues which exceed \$720,000.00 and are less than \$1,025,000.00 yearly. Using this formula, revenue sharing will not exceed \$152,500.00 in any year and total rent payments including the base rent of \$350,000.00 will not exceed a total of \$502,500.00.

In addition to revenue changes, the new lease with OLAF Limited Partnership contains a termination clause which the City may exercise at the end of any calendar year. It also has a provision requiring a sharing of expenses for lot resurfacing or replacement of the drainage system on the lot. Finally, the new lease clarifies old language on any proposal for sale of the Ritz to a party other than a developer.

The five year, \$400,000.00 per year, commitment to St. Thomas development has been completed and plays no part in the new lease or Ritz Lot expenses. As in the past the lot will be used for the sale of public parking and community events and promotions of the downtown.

The lease is being reviewed by the City Attorney and Risk Management for legal and insurance issues respectively.

Proceeds from the sale of parking on the Ritz Lot will be deposited in the Parking Fund.



Ritz Lot

Target Center

Butler Square

Hennepin Ctr/Arts

Block E

City Center

Marriott

Radisson

Marshall Fields

State Theater
LaSalle Plaza

IDS
Marquette Hotel

Wells Fargo Tower

Baker

TCF Tower

AT&T

North Star

American Express

One Financial Plaza

Grand Hotel
US Bank

Pillsbury

Government Center

Lutheram Brotherhood

701 Bldg

City Hall

5th St Towers

Gaviidae II
Dain Plaza

Skyway News

Lumber Exchange

Library

NSP

WASHINGTON AV N

1ST AV N

2ND AV N

2ND AV N

1ST AV N

HENNEPIN AV

3RD ST S

4TH ST S

5TH ST S

6TH ST S

7TH ST S

8TH ST S

9TH ST S

10TH ST S

MARQUETTE AV

2ND AV S

3RD AV S

4TH AV S